

EXHIBIT A

Stephan W. Milo, Esquire (VASB#42156)
WHARTON, ALDHIZER & WEAVER, PLC

The American Hotel
125 South Augusta Street, Suite 2000
Staunton, Virginia 24401
Telephone: (540) 213-7440

-and-

Elizabeth Thompson, Esquire
Jones Bothwell Dion & Thompson LLP
44 Montgomery Street, Suite 610
San Francisco, CA 94104-4608
Telephone: 415.951.9168
Counsel for Respondent

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

In re:

CIRCUIT CITY STORES, Inc., *et al.*

Debtors.

Chapter 11

Case No. 08-35653

Jointly Administered

**DECLARATION OF JOANN LEE IN SUPPORT OF RESPONSE
OF Z-LINE DESIGNS, INC. TO DEBTORS' SEVENTIETH OMNIBUS
OBJECTION TO CLAIMS (DISALLOWANCE OF CERTAIN
(I) NO LIABILITY (LEGAL CLAIMS); (II) NO LIABILITY (SATISFIED
CLAIMS); (III) NO LIABILITY (HUMAN RESOURCES CLAIMS); AND
(IV) NO LIABILITY (MISCELLANEOUS CLAIMS))**

I, Joann Lee, declare:

1. I have been continuously employed by Z-Line Designs, Inc. ("Z-Line") since June 15, 1998, and I have been the Senior VP of Import Operations since March, 2007. I have personal knowledge of the matters stated herein, and if called as a witness, I could and would testify competently thereto.

2. Z-Line Designs is an import manufacturer of home office, home entertainment, seating and home décor, and ready-to-assemble ("RTA") furniture.

Z-Line's corporate offices are located in San Ramon, California, with international offices and manufacturing facilities in China and Taiwan.

3. Z-Line began manufacturing products for sale to Circuit City Stores, Inc. ("Circuit City") in 2003. By letter dated December 7, 2007, Circuit City terminated the business relationship between it and Z-Line. During the time Z-Line and Circuit City did business together, I was responsible for obtaining Circuit City's product orders and transmitting the orders to Z-Line's factories for production and shipping.

4. Attached hereto as Exhibit B is a true and correct copy of a letter from Myke Lynch, Senior Buyer for Circuit City, to Jim Sexton, President of Z-Line Designs, dated December 13, 2007.

5. Z-Line's claim in this bankruptcy proceeding is based on Circuit City's failure to pay for the following products manufactured by Z-Line for Circuit City:

- (a) 424 television stands, Skylar model, 44" wide ("Skylar");
negotiated price, \$111.55 per unit, totaling \$47,297.20; and
- (b) 810 television stands, Model No. Z22-1S, 55" wide ("Z22-1S");
negotiated price, \$137.74 per unit, totaling \$111,569.40.

6. Z-Line and Circuit City had a long-standing arrangement whereby Z-Line would manufacture products for Circuit City, including those listed in the preceding paragraph, after specific product prices were negotiated, based on order quantity forecasts issued by Circuit City. This arrangement necessitated by the fact that Z-Line required 90 to 120 days to manufacture and ship products; 60 to 90 days were needed for production, and 30 days were needed for ocean transit. However, Circuit City only finalized the quantities of its orders 60 days before Circuit City's estimated receipt date ("ERD"). If product was delivered after the ERD, Circuit City had the right to penalize Z-Line by a charge-back against the amounts owed Z-Line.

7. The effect of this timeline was that Z-Line was required to begin production on Circuit City orders at least 30 days before the order quantities were finalized, something Circuit City knew and understood. Circuit City sent "New Product Setup Information" forms to Z-Line to complete for each product to be manufactured by Z-Line. These forms required Z-Line to provide Circuit City with detailed information about each product, including production lead times.

8. Attached hereto as Exhibit C is the New Product Setup Information form for Model No. Z22-1S, showing a production lead time of 65 days.

9. Attached hereto as Exhibit D is the New Product Spec Sheet for the Skylar Model, showing a production lead time of 60 days.

10. Occasional, minor variations in Circuit City's final order amounts were resolved by adjusting future amounts to be shipped; however, Z-Line could not and was not expected to absorb wholesale order cancellations by Circuit City.

11. Circuit City sent Z-Line its order forecasts on a weekly basis, using a Circuit City form called the "830 Planning Schedule." This schedule provided information about the item quantities Circuit City forecasted ordering in the following six months. Quantities were listed as "planning" or "firm." A "firm" designation meant that the order was within Circuit City's "order lock period," a term used in Circuit City's Direct Import Vendor Guide (Exhibit H), and that Circuit City would thereafter issue a purchase order.

12. Attached hereto as Exhibit E is a true and correct set of Circuit City's 830 Planning Schedules for the weeks of June 5, 2007 through July 3, 2007, July 17, 2007 and July 24, 2007. I do not believe that Z-Line received an 830 Planning Schedule for the week of July 10, 2007. The ERD is listed in the "Start" column in Exhibit E.

13. Attached hereto as Exhibit F is a true and correct worksheet I prepared, which summarizes the weekly forecast quantities and status for the Skylar and Z22-S1 Models for the period June 5, 2007 through July 24, 2007.

14. On the 830 Planning Schedule for July 24, 2007, all quantities for both models had been erased. Z-Line was not given any advance notice of these cancellations.

15. Z-Line was able to halt production and/or convert some of the stock ordered by Circuit City to other customers or products, but it was unable to so completely. Z-Line ended up with unpaid Circuit City stock as described in paragraph 5 above. The agreed-upon price for this stock was \$158,866.60.

16. Attached hereto as Exhibit G is a true and correct copy of Z-Line's Commercial Invoice, dated September 24, 2007, summarizing the outstanding amounts owed by Circuit City.

17. Attached hereto as Exhibit H is a true and correct copy of Circuit City's Direct Import Vendor Guide, Version 4.0, March 2006, which was in effect through 2007.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on April 21, 2010.



JOANN LEE

Certificate of Service

I, the undersigned, declare that I am over the age of eighteen (18) years and not a party to the within cause; that I am employed in the firm of Jones Bothwell Dion & Thompson, LLP and my business address is 44 Montgomery Street, Suite 610, San Francisco, CA 94104. I hereby certify that on this 21st day of April, 2010 a copy of the foregoing **DECLARATION OF JOANN LEE IN SUPPORT OF RESPONSE OF Z-LINE DESIGNS, INC. TO DEBTORS' SEVENTIETH OMNIBUS OBJECTION TO CLAIMS** was sent via courier overnight, postage pre-paid to:

Skadden, Arps, Slate, Meagher & Flom, LLP
One Rodney Square PO BOX 636
Wilmington, DE 19899-0636
Attn: Gregg M. Galardi and Ian S. Fredericks

Mcguirewoods LLP
One James Center
901 E. Cary Street
Richmond, VA 23219
Attn: Dion W. Hayes and Douglas M. Foley

Skadden, Arps, Slate, Meagher & Flom, LLP
155 North Wacker Drive
Chicago, Illinois 60606
Attn: Chris L. Dickerson

/s/ Adele Taylor

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